

News Release

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FOR IMMEDIATE RELEASE:

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COUNTY COMMISSIONERS APPROVE PRIVATIZATION OF CITIZENS-MONTEVUE FACILITY

FREDERICK, MD – The Frederick Board of County Commissioners last night approved the sale of the Citizens Care and Rehabilitation Center (CCRC) and Montevue Assisted Living Facility (MALF) to Aurora Holdings VII, LLC for \$30,000,000.

Board President Blaine Young said, "On behalf of the Board of County Commissioners, we would like to thank everyone who presented comments on this important decision regarding the Citizens-Montevue facility. We know this has been a very emotional matter, but when this board was elected, we promised to address the difficult issues and made decisive steps to get our financial house in order. This facility in particular has been operating at a huge loss and expense to our taxpayers for many years. We decided that it was time to put the question to the test as to whether or not a viable private-sector company could take over the facility and still provide excellent care for the residents, keep the interests of our employees in mind and maintain the 'Montevue Mission' for the residents who live there.

"Those who voted for the majority of the members of this board believed that elected officials owe it to the taxpayers to explore ways to relieve the burden we have carried to subsidize this operation. The refusal of prior Boards of County Commissioners to even look into it was not justifiable, and our current board has resolved that. Remember, this facility cost the taxpayers almost \$40 million to construct, and it is operated at a deficit (funded by tax dollars) of almost \$5 million per year. When we issued a 'Request for Proposals,' we believed that we owed it to every taxpayer to analyze the responses and make a decision as to what is best for the entire community, not just for a vested few.

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"We also knew that there must be good reasons why every county in the state except one has gotten out of the nursing home business. But, we want to stress this again and again – our sale of the facility doesn't mean we don't respect our seniors. This board has done much to try to help our seniors buck the trend being set in Annapolis and actually retire and stay in Frederick County and live with dignity. Not only did we pass a real senior property tax credit, but we have supported many other services Frederick County has available for senior citizens.

"We would like to thank the owners of Aurora for stepping up to the plate to meet the very strict criteria we presented for the sale of the facility. Now, the burden of a recurring operating loss falls from the taxpayer to the new buyer, and the county will be insulated from the unknown financial realities related to the current overhaul of long-term care and overall health care systems. Additionally, Aurora is much better suited to respond to changing service, administrative and management requirements and needs in comparison to the constraints by governmental bureaucracy and contractual agreements. We believe Aurora as a private owner will have the potential to provide greater resources to the facility through purchases of new equipment, facility upgrades and additional services or levels of care.

"The sale of Citizens and Montevue has been a herculean task that would not have been possible without the financial expertise and oversight of County Manager Lori Depies and our Finance Division, Budget Office, County Attorney's Office, Human Resources Division, Procurement & Contracting Department and many other county employees. We recognize them for their dedication and the many hours spent in preparing this proposal for consideration. The taxpayers can be thankful that we have such talented and hardworking professionals serving the citizens of Frederick County.

"We also want to thank the employees of Citizens and Montevue for their excellent service to our county residents in this fine facility. We know you have been through many years of indecision and uncertainty, but can now have assurance that we kept your best interests in mind. We believe Aurora will treat you with fairness and the professional respect due to your profession. We wish you the very best and have directed our Human Resources Division to work closely with Aurora during this transition to help you in every way."

On October 25, 2012, the board gave direction to explore the options available to eliminate the subsidies of CCRC/MALF from the FY 2014 budget, including privatizing the operations. Since FY 2000, taxpayers have subsidized over \$53,000,000 for both operations. The budgets this year of both CCRC and MAL required General Fund subsidies of \$1,678,665 and \$2,512,022, respectively.

With assistance from the brokerage services of Marcus & Millichap Real Estate Investment Services, on January 24, 2013, a "Request for Proposals" was released; six proposals were received. Three proposals did not meet the criteria; the remaining three offers ranged from \$30,000,000 to \$31,500,000.

An evaluation committee, including CCRC's executive administrator and the director of nursing, observed patient care and overall facility operations during site visits to facilities of these three proposers. After these site visits and additional interviews, the two bidders remaining were asked to submit their best and final offer. Aurora Holdings VII, LLC was selected as the favored proposer, based on the following criteria:

- <u>Patient Care</u>: The quality of patient care was evaluated during the site visits to the facilities, including the Star Ratings of the facilities. The Five Star Quality Rating System helps families and caregivers compare nursing homes. Currently, the Star rating for the Aurora facility in Princess Anne, Maryland, is three. The CCRC facility is anticipated to be rated three as well, based upon the latest state survey.
- <u>Current Employee Impacts</u>: It was critical that the benefits package offered pay rates and employee retention as similar as possible to the current benefit package offered by Frederick County Government. Aurora customized their health and dental plan, has agreed to hire the existing employees and to maintain their current rates of pay at the time of the sale, and has recognized their years of service for leave accrual purposes.
- Montevue Subsidized Residents: The board needed assurance that the current MAL individuals could remain and not be transferred until such time that they may need a higher level of care. Aurora has agreed to a four-year contract where the county will pay \$10.7 million over four years for this assurance. At the conclusion of the four-year term, the residents can remain in the facility until their care needs require admission to CCRC, to which they will be given preference for admission. Aurora has also agreed to allow a future county government to subsidize beds at the Montevue facility at the private pay rate should they choose that option.
- <u>Financially Viable</u>: Debt that funded the construction of the facility had to be retired by the sale proceeds. The purchase price offered by Aurora, combined with the funds remaining in the Nursing Home Construction Fund, allow the debt to be retired completely.

As a result of the sale to Aurora, Frederick County will be debt free for this facility and will gain over 6 million dollars over a four-year period versus losing over 10 million dollars if the facility had been retained.

The board also approved the abolishment of the Citizens Board of Trustees to officially allow for the transition to private ownership of the facility. The board further agreed to enter into an agreement with Aurora to take over management and operations of the facility from LW Consulting until the sale closing occurs.

Additional information may be found at www.FrederickCountyMD.gov/CCRC-MALoptions.

A replay of the hearing will be aired tonight on FCG TV, cable channel 19, at 7:00 p.m. The replay may also be viewed at 7:00 p.m. on www.FrederickCountyMD.gov/video (click on "Watch FCG TV Live").

Special Projects Manager <u>Michael Marschner</u> will manage the CCRC/MALF transition to Aurora. Contact Mr. Marschner at 301-600-1133 or via e-mail at <u>mmarschner@FrederickCountyMD.gov</u>.